

**APPROVE EXERCISING THE OPTION TO RENEW THE INSURANCE BROKERAGE AND
ADMINISTRATIVE SERVICES AGREEMENT
WITH AON RISK SERVICES OF ILLINOIS
FOR THE BOARD'S OWNER CONTROLLED INSURANCE PROGRAM**

THE CHIEF EXECUTIVE OFFICER REPORTS THE FOLLOWING DECISION:

Approve exercising the option to renew the Insurance Brokerage and Administrative Services Agreement with Aon Risk Services of Illinois (Aon) to provide broker services and program administration for the Board's Owner Controlled Insurance Program (OCIP), at a cost not to exceed \$875,000 for this renewal term, and authorize the maintenance of the established escrow account to pay OCIP claims incurred prior to April 1, 2002. A written renewal agreement for Aon's services is currently being negotiated. No payment shall be made to AON during the option period prior to the execution of the written renewal agreement. The authority granted herein shall automatically rescind in the event a written renewal agreement is not executed within 120 days of the date of this Board Report. Information pertinent to this renewal agreement is stated below.

Specification No.: 01-250022

VENDOR: Aon Risk Services of Illinois
200 East Randolph – 11th Floor
Chicago, IL 60606
(312) 381-4495
Contact: Matthew Perno
Vendor No.: 23844

USER: Bureau of Risk & Benefits Management
125 South Clark Street, 14th Floor
Georgette Hampton, Director
773-553-2818

ORIGINAL AGREEMENT: The original Insurance Brokerage and Administrative Services Agreement (authorized by Board Report 01-0328-PR22), in the amount of \$715,000.00, is for a term commencing April 1, 2001 and ending April 1, 2002, with the Board having the option to renew the agreement for an additional 1-year term. The original agreement was awarded pursuant to Requests for Proposals (Specification Nos. 97-220012, 99-250069 and 99-250074),

OPTION PERIOD: The term of this agreement is being renewed for a 1-year period, commencing April 1, 2002 and ending April 1, 2003. Furthermore, the parties mutually agree to provide for 2 additional 1-year terms in the renewal agreement. These additional option terms are necessary to coincide with the insurance placement for the OCIP.

OPTION PERIODS REMAINING: There are two 12 month option periods remaining.

SCOPE OF SERVICES: Aon will continue to provide: 1) all OCIP administrative functions associated including, but not limited to, contractor enrollment, tracking bid credits, preparing close out and all necessary reports for the Board and the insurance carriers, 2) safety consulting which includes site visits and safety training programs, 3) Broker services for the marketing and placement of OCIP-related coverage including workers' compensation and general, professional and environmental liability insurance, 4) claims administration services for the runoff of the existing claims occurring prior to April 1 2002, and 5) escrow services for the OCIP claims account. The parties acknowledge and agree that Aon shall have the right to subcontract with SOL Consulting, Inc. regarding the safety consulting. Further, Aon shall have the right to subcontract with Martin Boyer Company regarding the escrow account and the runoff claims administration services. Aon will arrange for Martin Boyer Company to provide all claim administration services and utilize claim management services such as medical case management, recovery of PPO discounts fraud investigators, and legal services as appropriate. All OCIP claim.

payments will be issued by Martin Boyer Company through escrow accounts the Board establishes with Aon. Aon will transfer the money to Martin Boyer Company who will maintain the escrow account. The Department of Risk and Benefits Management will encumber claim payment amounts annually and will deposit escrow funds upon receipt of invoice for prior period payments and report of projected future claim payments. Individual escrow funding payments shall not exceed \$500,000.00 per transfer.

DELIVERABLES: Aon shall continue to provide (i) monthly enrollment and bid tracking reports, (ii) semi-annual stewardship reports, (iii) monthly loss runs submitted directly by Martin Boyer, (iv) quarterly stewardship meetings with personnel involved in the management of this program and related subcontractors, and (v) quarterly accounting of the Escrow Account.

OUTCOMES: Aon's services shall continue to result in cost-effective management and administration of the Board's OCIP insurance program and the cost-effective placement of OCIP underlying insurance policies.

AUTHORIZATION: Authorize the General Counsel to include other relevant terms and conditions in the written renewal agreement. Authorize the President and Secretary to execute the renewal agreement. Authorize the Director of Risk & Benefits Management to execute all ancillary documents required to administer or effectuate this renewal agreement. Also, authorize the Director of Risk & Benefits Management to effectuate necessary transfers of money to the Escrow Account.

COMPENSATION: AON shall be paid an annual administrative fee of \$875,000 in quarterly installments for services described.

AFFIRMATIVE ACTION: Pursuant to Section 3.7 of the W/BE Plan, since the vendor is merely a conduit of the funds and receives no payment. This transaction is precluded from M/WBE review.

LSC REVIEW: Local School Council approval is not applicable to this report.

FINANCIAL: Charge \$875,000 to Capital Improvement Program
Budget Classification: 0230-Variou Capital Funds-000-9316-5490 Fiscal Yr. 2002 / FY 2003
Allocate 1% of bond issues to pay for OCIP run-out claims and expenses.

GENERAL CONDITIONS:

Inspector General – Each party to the agreement shall acknowledge that, in accordance with 105 ILCS 5/34-13.1, the Inspector General of the Chicago Board of Education has the authority to conduct certain investigations and that the Inspector General shall have access to all information and personnel necessary to conduct those investigations.

Conflicts – The agreement shall not be legally binding on the Board if entered into in violation of the provisions of 105 ILCS 5/34-21.3 which restricts the employment of, or the letting of contracts to, former Board members during the one year period following expiration or other termination of their terms of office.

Indebtedness – The Board's Indebtedness Policy adopted July 26, 1995 (95-0726-EX3), as amended from time to time, shall be incorporated into and made a part of the agreement.

Ethics – The Board's Ethics Code adopted September 27, 1995 (95-0927-RU3), as amended from time to time, shall be incorporated into and made a part of the agreement.

Contingent Liability – The agreement shall contain the clause that any expenditure beyond the current fiscal year is deemed a contingent liability, subject to appropriation in the subsequent fiscal year budget(s).

Approved for Consideration:

Approved:

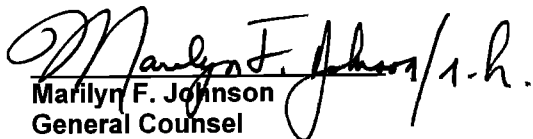

Anita Rocha
Acting Chief Purchasing Officer


Arne Duncan
Chief Executive Officer *by TRAD*

Within Appropriation:


Kenneth C. Gotsch
Chief Fiscal Officer

Approved as to legal form: *HL*


Marilyn F. Johnson
General Counsel